

Össur hf.

**Condensed Interim Consolidated
Financial Statements**

31.3.2022

Össur hf

Grjóthálsi 5

110 Reykjavík

Id-no. 560271-0189

Statement by the Board of Directors and President and CEO

The Condensed Interim Consolidated Financial Statements of Össur hf. for the period from 1 January 2022 to 31 March 2022 consist of the Financial Statements of Össur hf. and its subsidiaries. The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU. The Condensed Interim Consolidated Financial Statements are neither audited nor reviewed by the Company's auditors.

The total sales of the Össur Consolidation amounted to USD 170 million and the net profit amounted to USD 9 million. Össur's Consolidated total assets amounted to USD 1,252 million at the end of period, liabilities were USD 620 million, and equity was USD 632 million.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's financial position at 31 March 2022 and operating performance of the period ended 31 March 2022.

The Board of Directors and the President and CEO of Össur hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from 1 January to 31 March 2022 and confirm them by means of their signatures.

Reykjavík, 26 April 2022

Board of Directors

Niels Jacobsen
Chairman of the Board

Svafa Grönfeldt

Alberto Esquenazi

Arne Boye Nielsen

Guðbjörg Edda Eggertsdóttir

President and CEO

Sveinn Sölvason

Consolidated Income Statement

All amounts in USD '000	Notes	Q1 2022	Q1 2021
Net sales	3	170,060	160,846
Cost of goods sold		(65,463)	(58,249)
Gross profit		104,597	102,597
Other income		149	273
Sales and marketing expenses		(65,293)	(59,935)
Research and development expenses		(9,283)	(7,272)
General and administrative expenses		(16,093)	(18,944)
Earnings before interest and tax (EBIT)		14,077	16,719
Financial income		296	154
Financial expenses		(2,747)	(2,974)
Net exchange rate difference		684	1,148
Net financial expenses		(1,767)	(1,672)
Earnings before tax (EBT)		12,310	15,047
Income tax		(2,973)	(3,656)
Net profit		9,337	11,391
Attributable to:			
Owners of the Company		8,760	11,128
Non-controlling interests		577	263
Net profit		9,337	11,391
Earnings per share			
Earnings per share (US cent)		2.2	2.7
Diluted earnings per share (US cent)		2.2	2.7

Consolidated Statement of Comprehensive Income

All amounts in USD '000	Q1 2022	Q1 2021
Net profit	9,337	11,391
Items that may be reclassified subsequently to profit or loss:		
Change in cash flow hedges	704	1,953
Exchange differences on translating foreign operations	(2,524)	(5,450)
Income tax relating to components of other comprehensive income	(411)	(1,768)
Other comprehensive income, net of income tax	(2,231)	(5,265)
Total comprehensive income	7,106	6,126
Attributable to:		
Owners of the Company	6,529	5,863
Non-controlling interests	577	263
Total comprehensive income	7,106	6,126

Consolidated Balance Sheet

Assets

All amounts in USD '000	Notes	31.3.2022	31.12.2021
Property, plant and equipment	5	55,401	55,349
Right of use assets	6	123,568	126,731
Goodwill	7	649,878	644,153
Other intangible assets	8	57,394	58,836
Investment in associates		13,717	13,647
Other financial assets		3,674	2,924
Deferred tax assets		27,066	27,044
Non-current assets		930,698	928,684
Inventories		110,569	103,985
Accounts receivables		100,919	102,768
Other assets		25,643	26,281
Bank balances and cash equivalents		84,410	85,197
Current assets		321,541	318,231
Total assets		1,252,239	1,246,915

Consolidated Balance Sheet

Equity and liabilities

All amounts in USD '000	31.3.2022	31.12.2021
Issued capital and share premium	74,342	75,571
Reserves	(48,164)	(45,917)
Retained earnings	600,623	591,932
Equity attributable to owners of the Company	626,801	621,586
Non-controlling interest	5,586	5,009
Total equity	632,387	626,595
Borrowings	259,218	262,190
Lease liabilities	115,510	118,674
Deferred tax liabilities	30,051	29,027
Provisions	5,901	8,788
Deferred income	6,048	6,250
Other financial liabilities	8,660	8,935
Non-current liabilities	425,388	433,864
Borrowings	56,529	46,043
Lease liabilities	21,542	21,244
Accounts payable	28,327	26,720
Income tax payable	7,967	7,350
Provisions	12,624	10,674
Accrued salaries and related expenses	39,573	42,341
Other liabilities	27,902	32,084
Current liabilities	194,464	186,456
Total equity and liabilities	1,252,239	1,246,915

Consolidated Statement of Cash Flow

All amounts in USD '000	Notes	Q1 2022	Q1 2021
Earnings before interests and tax (EBIT)		14,077	16,719
Depreciation and amortization	5, 6, 8	12,656	11,930
Change in inventories		(6,050)	(8,120)
Change in receivables		930	1,177
Change in payables		(5,178)	(1,376)
Other operating activities		(2,315)	(430)
Cash generated by operations		14,120	19,900
Interest received		182	178
Interest paid		(2,693)	(2,835)
Income tax paid		(1,924)	(3,298)
Net cash provided by operating activities		9,685	13,945
Purchase of fixed and intangible assets	5, 8	(5,183)	(4,593)
Acquisition of subsidiaries, net of cash in acquired entities		(9,439)	(16,468)
Other investing activities		112	(353)
Cash flows to investing activities		(14,510)	(21,414)
Proceeds from long-term borrowings		0	459
Repayments of long-term borrowings		(215)	(157)
Changes in revolving credit facility		10,901	0
Payments of lease liabilities		(5,368)	(4,644)
Change in treasury shares		(1,230)	0
Cash flows from / (to) financing activities		4,088	(4,342)
Net change in cash		(737)	(11,811)
Exchange rate effects on cash held in foreign currencies		(50)	(3,053)
Cash at beginning of period		85,197	102,363
Cash at end of period		84,410	87,499

Consolidated Statement of Changes in Equity

All amounts in USD '000	Share capital	Share premium	Statutory reserve	Share option reserve	Fair value reserve	Translation reserve	Accumulate profits	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2021	4,794	70,077	1,267	2,507	196	(35,484)	529,155	572,512	4,678	577,190
Net profit							11,128	11,128	263	11,391
Change in cash flow hedges					1,563			1,563		1,563
Transl. diff. of shares in subsidiaries						(6,828)		(6,828)		(6,828)
Total comprehensive income	0	0	0	0	1,563	(6,828)	11,128	5,863	263	6,126
Share option charge for the period				377				377		377
Balance at 31 March 2021	4,794	70,077	1,267	2,884	1,759	(42,312)	540,283	578,752	4,940	583,692
Balance at 1 January 2022	4,795	70,776	1,267	4,093	113	(51,390)	591,932	621,586	5,009	626,595
Net profit							8,760	8,760	577	9,337
Change in cash flow hedges					564			564		564
Transl. diff. of shares in subsidiaries						(2,795)		(2,795)		(2,795)
Total comprehensive income	0	0	0	0	564	(2,795)	8,760	6,529	577	7,106
Share option charge for the period				599				599		599
Share option vested during the period	1	506		(614)			(69)	(176)		(176)
Purchase of treasury shares	(3)	(1,734)						(1,736)		(1,736)
Balance at 31 March 2022	4,794	69,548	1,267	4,077	677	(54,185)	600,623	626,801	5,586	632,387

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Statement of compliance

The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34 as adopted by the EU. The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the period. New and amended IFRS Standards that are effective for the current year did not have any impact on the Company's Financial Statements. The Company has not early applied new and revised IFRS standards that have been issued but are not yet effective. The Financial Statements are presented in USD, which is the Company's functional currency. They do not include all of the information required for full Annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the period ended 31 December 2021. The Company's Annual Consolidated Financial Statements can be found on the Company's website www.ossur.com.

Basis of preparation

The Condensed Interim Consolidated Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Condensed Interim Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand ('000), except when otherwise indicated. The accounting policies adopted are consistent with those followed in the preparation of the Company's Annual Consolidated Financial Statements for the period ended 31 December 2021.

Notes to the Consolidated Financial Statements

2. Quarterly statements

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net sales	170,060	187,542	180,289	189,992	160,846
Cost of goods sold	(65,463)	(67,007)	(68,513)	(69,513)	(58,249)
Gross profit	104,597	120,535	111,776	120,479	102,597
Gross profit margin	62%	64%	62%	63%	64%
Other income	149	1,093	85	236	273
Sales and marketing expenses	(65,293)	(67,624)	(62,309)	(64,017)	(59,935)
Research and development expenses	(9,283)	(8,397)	(8,011)	(8,055)	(7,272)
General and administrative expenses	(16,093)	(19,664)	(16,845)	(18,690)	(18,944)
EBIT	14,077	25,943	24,696	29,953	16,719
Net financial expenses	(2,451)	(2,775)	(2,495)	(3,700)	(2,820)
Net exchange rate difference	684	334	764	(1,127)	1,148
EBT	12,310	23,502	22,965	25,126	15,047
Income tax	(2,973)	(5,947)	(5,535)	(5,846)	(3,656)
Net profit	9,337	17,555	17,430	19,280	11,391
EBITDA	26,732	40,613	37,310	42,382	28,649
EBITDA margin	16%	22%	21%	22%	18%
Organic sales growth	6%	5%	4%	32%	2%
LCY sales growth	10%	11%	4%	33%	0%

3. Net Sales

	Q1 2022	Q1 2021
Specified according to geographical segments:		
EMEA	78,312	73,273
Americas	77,870	72,148
APAC	13,878	15,425
Total	170,060	160,846
Specified according to product lines:		
Prosthetics	106,346	100,288
Bracing and Supports	63,714	60,558
Total	170,060	160,846

In the Q1 2021 reporting, sales amounting to USD 9.6 million were incorrectly included in the sales and growth figures for Americas instead of EMEA. Other figures, including total sales and total growth figures were correctly stated for Q1 2021.

Notes to the Consolidated Financial Statements

4. Sales and expenses split by main currencies

	LCY	Q1 2022	
		USD	%
Sales			
USD	70,726	70,726	42%
EUR	37,281	41,842	25%
ISK	70,533	551	0%
Nordic curr. (SEK, NOK, DKK)		23,468	14%
Other (GBP, AUD, CAD & Other)		33,473	20%
Total		170,060	100%
COGS and OPEX			
USD	66,773	66,773	43%
EUR	26,542	29,789	19%
ISK	2,301,417	17,965	12%
Nordic curr. (SEK, NOK, DKK)		22,403	14%
Other (GBP, MXN, CAD & Other)		19,053	12%
Total		155,983	100%

	LCY	Q1 2021	
		USD	%
Sales			
USD	65,427	65,427	41%
EUR	32,817	39,565	25%
ISK	68,364	534	0%
Nordic curr. (SEK, NOK, DKK)		23,511	14%
Other (GBP, AUD, CAD & Other)		31,809	20%
Total		160,846	100%
COGS and OPEX			
USD	73,583	73,583	51%
EUR	21,421	25,826	18%
ISK	1,469,146	11,473	8%
Nordic curr. (SEK, NOK, DKK)		21,041	15%
Other (GBP, MXN, CAD & Other)		12,205	8%
Total		144,127	100%

Currency split is derived by using best available information at each time.

Notes to the Consolidated Financial Statements

5. Property, plant and equipment

2022	Buildings & sites	Machinery & equipment	Fixtures & office equip.	Computer equipment	Total
Cost					
At 1 January	1,606	72,331	46,081	17,359	137,377
Reclassification	190	0	534	(724)	0
Additions	53	1,724	1,279	594	3,650
Business Combinations	771	350	162	4	1,287
Exchange rate differences	(28)	(129)	(120)	(75)	(352)
Eliminated on disposal	0	(100)	(287)	(26)	(413)
Fully depreciated assets	0	(111)	(35)	(45)	(191)
At 31 March 2022	2,592	74,065	47,614	17,087	141,358
Depreciation					
At 1 January	412	44,326	25,360	11,930	82,028
Charge for the period	65	2,311	1,324	752	4,452
Exchange rate differences	(1)	(77)	(74)	(46)	(198)
Eliminated on disposal	0	(56)	(52)	(26)	(134)
Fully depreciated assets	0	(111)	(35)	(45)	(191)
At 31 March 2022	476	46,393	26,523	12,565	85,957
At 31 March 2022	2,116	27,672	21,091	4,522	55,401
Depreciation classified by functional category:				Q1 2022	Q1 2021
Cost of goods sold				2,233	2,176
Sales and marketing expenses				1,174	1,102
Research and development expenses				234	239
General and administrative expenses				811	1,044
Total				4,452	4,561

Notes to the Consolidated Financial Statements

6. Leases

Right of use assets

2022	Buildings & sites	Machinery & equipment	Total
At 1 January	123,992	2,739	126,731
Additions and renewals	2,627	302	2,929
Depreciation charge for the period	(4,904)	(489)	(5,393)
Exchange rate differences	(651)	(48)	(699)
At 31 March 2022	121,064	2,504	123,568

Depreciation classified by functional category:	Q1 2022	Q1 2021
Cost of goods sold	2,157	2,004
Sales and marketing expenses	1,079	1,002
Research and development expenses	647	601
General and administrative expenses	1,510	1,407
Total	5,393	5,014

7. Goodwill

	31.3.2022	31.12.2021
At 1 January	644,153	612,191
Business combinations	9,235	48,456
Exchange rate differences	(3,510)	(16,379)
Impairment	0	(115)
At end of period	649,878	644,153

Notes to the Consolidated Financial Statements

8. Other intangible assets

2022	Cust./distrib. relationships	Patents	Trademarks	Software and other	Total
Cost					
At 1 January	38,278	19,460	1,863	48,839	108,440
Additions	57	361	16	407	841
Additions - internally generated	0	0	0	692	692
Business Combinations	275	0	0	0	275
Exchange rate differences	(335)	(253)	(61)	(14)	(663)
Fully amortized assets	(300)	0	0	0	(300)
At 31 March 2022	38,275	19,568	1,818	49,924	109,585
Amortization					
At 1 January	25,319	5,986	300	17,999	49,604
Charge for the period	1,165	265	21	1,360	2,811
Exchange rate differences	(137)	(28)	(55)	(4)	(224)
Fully amortized assets	(300)	0	0	0	(300)
At 31 March 2022	26,347	6,223	266	19,355	52,191
At 31 March 2022	11,928	13,345	1,552	30,569	57,394
Amortization classified by functional category:				Q1 2022	Q1 2021
Cost of goods sold				40	28
Sales and marketing expenses				1,652	1,424
Research and development expenses				307	366
General and administrative expenses				812	537
Total				2,811	2,355